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October 11, 2017

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Dr. Daniel K. Podolsky, President
The University of Texas Southwestern Medical Center
5323 Harry Hines Blvd.
Dallas, TX 75390-9096

Dear Dr. Podolsky,

I am attaching the final report on *A Compliance Audit of Formula Funding at The University of Texas Southwestern Medical Center*, Report No. THECB-FF-18-001.

This Compliance Monitoring audit report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, on January 2018.

If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink, reading "Mark A. Poehl". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

Mark A. Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit and Compliance

EXECUTIVE SUMMARY

The University of Texas Southwestern Medical Center (UTSWMC) complied with relevant Coordinating Board (THECB) rules and regulations for enrollment data used for formula funding and with Texas Education Code Section 61.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations, if any, based on the audit objectives.

Reporting of Formula Funding Enrollment Information

(CBM001 Student Report)

- No issues noted.

Audit Scope, Objective, and Methodology

Our audit included tests of enrollment data reported and certified by UTSWMC. Our audit focused on the following enrollment data and time periods:

- CBM001 (Student Report) – Summer semester 2016, Fall semester 2016, Spring semester 2017

Our work included procedures to verify:

- Reported semester credit hours were eligible for formula funding;
- Student tuition payment was received in accordance with requirements.

The audit methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and performing other tests of controls necessary to achieve the objectives of the audit. THECB used random sampling to determine the extent to which UTSWMC accurately reported semester credit hour data.

Background

The Texas Education Code 61.059(b) – directs the Board to “devise, establish, and periodically review and revise formulas for the use of the governor and the Legislative Budget Board in making appropriations recommendations to the legislature for all institutions of higher education, including the funding of postsecondary vocational-technical programs. As a specific element of the periodic review, the board shall study and recommend changes in the funding formulas based on the role and mission statements of institutions of higher education.”

The funding formulas are allocations; institutions of higher education have the authority to spend funds appropriated through the formulas in the manner deemed most appropriate; the formula models include enrollment as a major driver; and not all appropriations are made through the formulas.

UTSWMC received \$196 million of formula funding for the FY 2016-2017 biennium based on its percentage of weighted semester credit hours.

Texas Administrative Code §1.13 (b)(2) states, "The purpose of the Board's risk assessment process and compliance methodologies is to maximize the effectiveness of monitoring funds allocated by the Board and data reported to the Board. The agency-wide, risk-based compliance monitoring function is established for... (B) data reported by institutions of higher education to the Board and used by the Board for funding or policymaking decisions, including data used for formula funding allocations, to ensure the data are accurately and consistently reported."

PERFORMED BY:

Mr. David Mahoney, Compliance Specialist

CC:

THECB**Board Members****Commissioner's Office**

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